

Report to Longparish Parish Council PWLB Loan for The Plough Inn, Longparish

Asset of Community Value

In 2018 The Plough was made an ACV along with The Cricketers and the village shop, recognising their importance in supporting and sustaining the village community. Now, The Plough is closed and for sale. It has a last chance to be run as a successful pub before planning would be likely to permit change of use to residential. This historic village asset would be lost, alongside the opportunities it offers for this village to build a business that truly serves our needs as a community.

A key proposal addressed in the Longparish Parish Plan is to 'actively support and encourage the long-term success of our existing facilities'. Test Valley Borough Council Local Plan resists the loss of community facilities such as public houses unless they can no longer be made viable, and in rejecting an appeal by the pub's present owner against change of use in 2019 The Planning Inspectorate¹ reaffirmed that "there is no doubt that the Plough Inn is valued by the local community" and "There is strong interest locally to retain the appeal property as a community facility".

Benefit to our village

The Plough is in the geographical centre of the village, near the school, church and village hall. It could provide services to the community including a place to meet, eat and drink, a respite for visiting walkers along the adjacent Test Way, B&B accommodation, business space, and vital parking for school drop-off. Villagers have rallied to form Plough Ahead and now Longparish Community Pub Limited (LCPL) a community benefit society which must use any profit for the benefit of the community, to secure this asset for the long-term benefit of Longparish.

The Council has undertaken a community consultation between 23 May and 22 June during which they have shared information about the proposal to take this PWLB loan for this purpose, and invited the community to share their views with the Council. Detailed information has been shared on Council pages of the [village website](#)², on [Plough Ahead's website](#)³, at meetings, on noticeboards and through the Parish Magazine to allow villagers to make an informed decision. A full report on the consultation will be prepared for the loan application if this goes ahead. Villagers have been invited to let the Council know what they think at Council meetings, by email and by letter, anonymously if they so wish. Results of the Council's extensive community consultation (which closes the day before this meeting) will be shared at the meeting.

Best chance to keep this community asset

LCPL has brought together an experienced group who have done rigorous research culminating in a detailed Business Plan to buy, refurbish and reopen The Plough. They have sought external advice from experienced community pub companies, advisory groups and valuers and analysed opportunities and threats. They have already secured grant and loan funding, and formal approval

¹ [Appeal Decision](#)

² <http://www.longparish.org.uk/parish-council/the-plough-inn.html>

³ <https://www.ploughahead.co.uk/>

for the imminent launch of their community share offer. They have asked for support from the Council, who have access to PWLB funding for community projects such as this.

The PWLB Loan

The Council has been asked to borrow **£300,000 over 50 years** to support the project, less than half the total project cost of **£629,995**. The loan will be used to buy The Plough. Additional funds raised by LCPL will contribute to the acquisition costs, pay for the refurbishment work required, and provide working capital for the community pub business.

Total funding for the project:	Projected acquisition costs, including costs and fees	£413,325
	Remedial works Costs	£147,000
	Start-up Costs	£ 45,670
	Contingency	<u>£ 24,000</u>
		£629,995
Paid for by:	Community share offer LCPL	£230,000
	Plunkett Foundation's More Than a Pub loan/grant	£100,000
	Parish Council PWLB loan	<u>£300,000</u>
		£630,000

PWLB Loan Cost to Parish Council

PWLB loans from HM Treasury are cheaper than commercial loans, so the pub business will benefit from our investment in the property because charges to LCPL to cover repayments will be lower, particularly in the crucial early years. The Council will seek a 50 year term to reflect this, and in view of our long-term commitment to the building, and the long-term benefit it will give to the community. We recommend a Fixed Rate loan repayable by fixed half-yearly instalments, so that the cost is clear and consistent. The interest rate varies, but at date of writing costs are as follows:

Loan amount	£ 300,000
Loan Period	50 years
Interest rate as at 15.6.20	2.66%
6-monthly instalments	£ 5,442
Annual cost	£ 10,884
Total repayment over 50 years	£ 544,194

Income to cover Repayment of Loan

The Council has received legal advice on the structure of the relationship between LCPL and the Council: the Council should acquire the freehold of the premises and grant a long lease with works obligations to LCPL. The agreement between LCPL and the Council will provide for LCPL to meet all costs of acquisition of the property (including legal fees and disbursements) as well as continuing costs such as insurance and additional accounting costs; the property will be sub-let to LCPL on a long lease, at a below-market rental in consideration for payment of a premium to cover the balance of the purchase cost. There will be no immediate unbudgeted impact on the precept.

A draft revised budget for 2021/2022 is attached for information.

Risks and Mitigation

The Parish Council will need to pay loan repayments of c. £11k a year whether or not the pub is open. Costs associated with owning the property will also accrue regardless of whether the business is operational. To minimise risk the Council has:

- Consulted The Plunkett Foundation – including their dedicated adviser
- Researched the best legal structure for ownership and operation of the pub and the protection of the Council's financial commitment , and received legal advice from a lawyer with experience of community pubs (whom the Council will engage further if the project goes ahead)
- Explored best practice and learning from others including Tollerton and Church Fenton Parish Councils who have taken similar steps.
- Considered the impact of COVID-19 on the business plan, concluding that the village needs control over a community asset now more than ever, and that by the time the pub is operational the worst impacts on businesses should be receding.

The Council will have no involvement in the Business Plan or running the pub; it will simply own the property and lease it to LCPL. The business should thrive - evidence from similar community pubs shows a strong track record of success. The Council believes the Plough will become a busy village hub able to adapt to changing village needs and returning profits to the community. If it does not, LCPL will remain responsible for making payments to the Council to cover the PWLB loan. The agreement between the Council and LCPL will ensure that:

- LCPL will put aside a contingency fund to cover at least 18 months' rental payments.
- The Council will put aside funds to cover a further 12 month loan repayments, to be used only if LCPL is unable to meet payments and whilst other avenues for payment of the loan are explored.
- The Council will be represented on the LCPL management board.
- The Council will work with LCPL to explore alternative uses of the premises for the community if the pub business fails.
- As owner, the Council will be able to explore alternative tenants for the premises if LCPL fails, and will be able to charge a higher, commercial rent in this event.
- The Council will be able to explore other uses (subject to planning regulations) if the planned use cannot be made viable with alternative tenants.
- As a last resort, the Council will be able to sell the property and fund early repayment of the loan and any costs from the sale proceeds.

Impact on Precept

Only if the project fails completely will there be any impact on the precept. A PWLB loan is automatically secured on the Council's revenue, so if all the above steps fail to secure funds to meet loan repayments or early repayment, there is a minimal risk that the Council would have to increase the precept to cover loan repayments for any remaining years of the loan. Annual payments of £11,000 to PWLB at today's rates would cost a Band D Council Tax payer £2.69 a month, a 4.69% increase at today's level.

Council Tax Band	Precept 2020-2021	Additional Costs	
		Month	Year
A	38.23	1.79	21.56
B	44.60	2.09	25.14
C	50.90	2.30	28.73
D	57.35	2.69	32.32
E	70.09	3.29	39.50
F	82.83	3.89	46.68
G	95.58	4.49	53.86
H	114.70	5.38	64.64

What if the Council declines to support the Plough project in this way?

In the current climate LCPL is unlikely to secure commercial funding at a cost low enough to proceed with the project, so the share offer and PWLB loan would not go ahead. The Council would lose the chance to own or control this acknowledged village asset, and does not know if and when there will be any opportunity to buy or support an ACV for the benefit of the village in the future. Without village support, The Plough may be sold to a commercial enterprise which would run a pub solely for profit (and if this fails might gain a change of use which would terminate any village use) or remain empty and deteriorating for years.

Recommendation

The Working Party recommends that the Council RESOLVES as follows:

1. To borrow £300,000 over a term of 50 years at a Fixed Rate to support the acquisition of The Plough as a community asset.
2. To seek the approval of the Secretary of State for Housing, Communities and Local Government to apply for a PWLB loan of £300,000 over the borrowing term of 50 years to acquire an interest in The Plough Inn for the benefit of the community as agreed between the Council and Longparish Community Pub Limited (a Community Benefit Society). The annual loan repayments will come to around £11,000. It is NOT intended to increase the council tax precept for the purpose of the loan repayments.
3. The Council confirms the authority of the Proper Officer and Responsible Financial Officer to continue to seek and receive specialist advice on the project, including legal advice.
4. The Proper Officer and Responsible Financial Officer be authorised to instruct lawyers and sign any required documentation to implement this decision.
5. The Parish Council submit an application to become a shareholder in LCPL at the minimum level.